

UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA

In Re:

Robert and Lois Honek,

Debtors.

Bankruptcy No.03-60804

Chapter 12 Case

**THIRD AMENDED CHAPTER 12 PLAN OF REORGANIZATION**

**Dated: July 12, 2004**

**I.**

**RETENTION OF JURISDICTION**

The United States Bankruptcy Court, District of Minnesota, shall retain jurisdiction of this case until completion date of this Plan or any modification thereof. The completion date of the Plan (unless modified) shall be November 1, 2006.

**II.**

**APPOINTMENT OF DISBURSING AGENT**

The Chapter 12 Trustee shall be the disbursing agent and shall disburse all of the cash payments provided for herein during the term of this Plan unless expressly provided to the contrary.

**III.**

**PROVISIONS FOR REJECTION OR ACCEPTANCE OF EXECUTORY CONTRACTS**

Subject to 11 U.S.C. Section 365, the Debtors assume or reject the following Executory Contracts/Leases:

A. ACCEPTANCE: DCP Contracts through FSA along with the following Landlord Leases: Alice Kresel, Caroline Zipoy, Gordon Fillipi, Jean Honek, Paul Barrett, Robert Kresel, Ron Novak, Scott Fillipi, Sylvia Skavelm and Vanyo Brothers.

The debtors will assume all four (4) DCP contracts through West Polk County FSA Office.

B. REJECTION: There are no executory contracts which the Debtor is rejecting at this time.

IV.

**ADMINISTRATIVE EXPENSES**

With respect to claims of a kind specified in 11 U.S.C. Section 507(a)(1), "administrative expenses", if previously allowed by the Court, shall be paid no later than the "effective date of the plan" which is defined to mean twenty (20) days after plan confirmation. If there are future administrative expenses, they shall be paid no later than December 31 of the year in which they are approved by the Court. Administrative expenses will accrue interest at the rate of eight (8) percent per annum beginning on the 180th day after court approval of the administrative expenses. In addition to the 5.25 percent fee to the Trustee, the following are the estimated amounts of administrative expense claims to be paid hereunder: **None.**

V.

**CLASSIFICATION OF CLAIMS AND INTERESTS**

**Class I: Lend Lease (unimpaired) (n/k/a Rabo Agrifinance, Inc.)**

Principal Amount Due:	\$ 135,500.00
Amount of Secured Claim:	\$ 272,000.00
Rate of Interest:	7.65%
Term of Payment:	13 years
Annual Payment:	\$ 16,800.00
Payment Due Date:	December 31, 2003, and annually on this same date until the principle and interest are paid full.

Lend Lease is unimpaired and it will be paid according to the Stipulation Concerning Motion to Alter or Amend and for Relief Under Rule 9024 concerning Order Confirming Chapter 12 Plan, which Stipulation was approved by the Court's Order Approving Stipulation to Alter or Amend and for Relief Under Rule 9024 Concerning Order Confirming Chapter 12 Plan entered on January 6, 2004.

**Class II: Rural American Bank (impaired)**

Principal Amount Due: \$473,631.00  
Security: **Machinery & equipment**  
**2<sup>nd</sup> lien on Beet Stock**  
Value of Collateral: \$553,450.00  
Amount of Secured Claim: \$473,450.00  
Rate of Interest: 7 %  
Term of Payment: 15 years  
Annual Payment: \$52,052.00  
Payment Due Date: December 31, 2003, and annually on  
this same Date thereafter until  
paid in full.

**Class III: Rural American Bank (impaired)**

Principal Amount Due: ~~\$ 3,000.00~~ 6,594.37  
Security: **'95 Chevy Pickup**  
Value of Collateral: ~~\$ 4,000.00~~ 6,594.37  
Amount of Secured Claim: ~~\$ 3,000.00~~ 6,594.37  
Rate of Interest: 9%  
Term of Payment: 1 year  
Annual Payment: ~~\$3,000.00~~ 3,768.06  
Payment Due Date: payments on  
December 31, 2003 and  
December 31, 2004.

**Class IV: Ag Services of America (impaired)**

Principal Amount Due: \$ 135,095.00  
Security: **crops, FSA, Gov't pmts.**  
Value of Collateral: \$ 95,693.00  
Rate of Interest: 0%  
Term of Payment: 1 year  
Annual Payment: \$135,095.00  
Payment Due Date: payment in full on  
December 31, 2003.

**Class V: American Crystal (impaired)**

Principal Amount Due: \$3,033.00  
Security: **Beet Stock.**  
Value of Collateral: \$265,200.00  
Amount of Secured Claim: \$3,033.00  
Rate of Interest: 0%  
Term of Payment: 1 year  
Annual Payment: \$3,033.00  
Payment Due Date: on or before  
December 31, 2003.

**Class VI: John Deere (impaired)**

Principal Amount Due: ~~\$ 6,000.00~~ 7,265.18  
Security: **Crop header**  
Value of Collateral: ~~\$ 7,000.00~~ 7,270.00  
Amount of Secured Claim: ~~\$ 6,000.00~~ 7,265.18

Rate of Interest:	9%	7%
Term of Payment:	2 year	
Annual Payment:	\$3,400.00	4,130.00
Payment Due Date:	December 31, 2003 &	December 31, 2004.

**Class VII: FSA -CCC (unimpaired)**

Principal Amount Due:	\$ 72,792.00
Security: Wheat	
Value of Collateral:	\$ 72,792.00
Rate of Interest:	6%
Term of Payment:	16 months
Annual Payment:	\$72,792.00
Payment Due Date:	December 31, 2003.

**Class VIII: Unsecured Creditors (impaired)**

Principal Amount of unsecured debt:	\$ 57,316.00
Allowed Claim:	\$ 2,800.00
Rate of Interest:	0 %
Term of Payment:	3 years
Annual Payment:	\$ 933.00
Payment Due Dates:	December 31, 2003 December 31, 2004 December 31, 2005

**Class IX: M & M (unimpaired)**

Principal Amount of secured debt:	\$ 100,000.00
Allowed Claim:	\$ 100,000.00
Value of Collateral	\$ 272,000.00
Rate of Interest:	7 %
Term of Payment:	1 year
Annual Payment:	\$ 103,500.00
Payment Due Dates:	The \$100,000.00 plus interest shall be paid on or before December 31, 2003. November 15, 2004.

With respect to Class IX debt of M&M, this loan is current and will be paid outside of the plan by the debtors.

With respect to the Class VI debt, John Deere, the debtors shall pay any miscellaneous fees which might due and owing under the contract once it is paid off.

Rural American Bank officials shall contact their State and Local FSA Office regarding their guaranteed loan listed under Class II above. If it happens that the FSA officials indicate that the Bank needs to be granted a mortgage on the debtors farm real estate in order to preserve the Banks' guaranteed loan, the debtors shall execute the necessary papers to be prepared by the Bank to provide Rural American Bank with a mortgage on their farm real estate less their home site.

Attached hereto and incorporated herein as part of this Plan

as Exhibit "A" is a liquidation analysis. The payment schedule for the unsecured claims is listed in Exhibit "B" which is attached hereto and incorporated herein as part of this Plan by reference.

This is the schedule of payments to the secured and unsecured creditors over the term of the Plan.

## VII.

### GENERAL PROVISIONS

1. All payments referred to in Section 5 shall be applied first to accrued interest where appropriate and then to the principal balance due and owing.

2. All disposable income (as defined in 11 U.S.C. Section 1225(b)(2)) of the Debtor received during the term of the Plan shall be applied to the execution of the plan with any excess amounts over the unsecured payments going to the unsecured creditor class. The Debtor shall directly disburse the payments to Duffy Law Office as well as the secured creditors who are unimpaired, namely: American Crystal, John Deere, Lend Lease, Rural American Bank (pick up loan). All other payments shall be disbursed by the Trustee and are subject to the 5.25% fee.

3. All defaults with respect to any creditor are waived.

4. All property of the estate shall vest in the Debtor as of the date of Plan Confirmation.

5. The Debtor shall have the standing authority to (1) hire custom machinery work and labor for planting, cultivation, or harvest; and (2) enter into government price support loan programs, pledging crop inventory as collateral, subject to Court

approval and notice to the creditors.

6. If it happens that this Chapter 12 Plan is dismissed, voluntarily or involuntarily, the Rural American Bank shall not be required to go through State Mediation with respect to the debtors farm loans listed above. The Rural American Bank shall have the right to immediately pursue any and all of its State Court remedies regarding its loan listed in this Chapter 12 case.

7. That the debtors shall provide Rural American Bank with notification and a copy of a satisfaction of the mortgage once M & M's mortgage has been paid in full; said mortgage being secured on the debtors farm land.

#### **VIII.**


##### **PLAN'S EXECUTION**

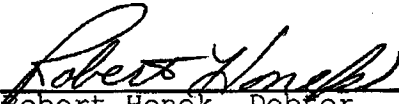
Except as otherwise provided herein, Debtor shall retain all property of the estate. Debtor shall adhere to the above-described payment schedules and such payments shall be made from the profits from continued operations. Except as limited or avoided under Sections 506 and 522(f), the above-named creditors will hold their liens, where applicable until such time as they are paid in accordance with this Plan at which time they will release the same. An amount equal to 5.25% of all payments disbursed by the Chapter 12 Trustee, or such lesser amount as may be provided from time to time, shall be paid to the Chapter 12 Trustee.

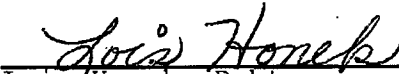
Dated this 16 day of July, 2004.

Respectfully submitted,

DUFFY LAW OFFICE

  
By: Kevin T. Duffy  
Attorney for Debtors  
P.O. Box 715  
Thief River Falls, MN 56701  
(218) 681-8524  
Attorney ID #134-600

  
Robert Honek, Debtor

  
Lois Honek, Debtor

**UNSWORN CERTIFICATE OF SERVICE**

**RE: Robert Honek and Lois Honek**

**Bky No.: 03-60804**

I, Tonya R. Klemetson, declare under penalty of perjury that on July 16, 2004, I mailed copies of the foregoing Notice of Hearing and Motion to Modify Chapter 12 Plan, Proposed Order and Third Amended Chapter 12 Plan of Reorganization by first class mail postage prepaid to each entity named below at the address stated below for each entity:

Mr. Michael J. Farrell  
Trustee  
P.O. Box 519  
Barnesville, MN 56514

Raymond German  
Attorney at Law  
PO Box 528  
East Grand Forks, MN 56721

Executed on: July 16, 2004.

Signed:



Tonya R. Klemetson  
DUFFY LAW OFFICE  
P.O. Box 715  
Thief River Falls, MN 56701  
218-681-8524



**UNITED STATES BANKRUPTCY COURT  
DISTRICT OF MINNESOTA**

**In re:**

Robert and Lois Honek,

BKY No: 03-60804

Debtors.

Chapter 12 Case

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**ORDER CONFIRMING THIRD AMENDED CHAPTER 12 PLAN**

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Fergus Falls, Minnesota  
July 27, 2004

The Debtors has filed a Third Amended Plan of Reorganization dated July 12, 2004 which the court has determined has satisfied the requirements of confirmation set forth in 11 U.S.C. § 1225.

**NOW, THEREFORE, IT IS HEREBY ORDERED:**

1. The Third Amended Chapter 12 Plan of Reorganization plan filed by the Debtors dated July 12, 2004 is confirmed.

2. The court hereby retains jurisdiction and makes such other or further order as may be necessary to appropriate to effectuate the plan and this order.

3. Except as otherwise ordered by the court, non-exempt property of the estate shall remain property of the estate until the court orders dismissal or conversion of the case or discharge of the debtor.

4. The clerk shall mail copies of this order to all creditors and other parties of interest.

**THIS ORDER** dated and entered this \_\_\_\_ day of July, 2004.

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Dennis D. O'Brien  
United States Bankruptcy Judge